Nova Scotia

ANNUAL REPORT

For the fiscal year
Ending March 31, 2001

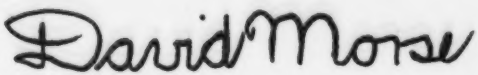
Alcohol and Gaming Authority

To Her Honour
The Honourable Myra Freeman
Lieutenant-Governor of Nova Scotia

May It Please Your Honour:

I have the honour to submit the Annual Report of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2001.

Respectfully submitted,



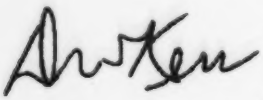
David Morse
Minister of Environment and Labour

The Honourable David Morse
Minister of Environment and Labour

Dear Minister:

Presented herewith is the Annual Report pursuant to Section 66 of the *Gaming Control Act* for the year ending March 31, 2001. The Report reflects all activities of the Alcohol and Gaming Authority (including gaming, liquor and theatre and amusement activities).

Yours very truly,



Dennis W. Kerr
Executive Director
Alcohol and Gaming Authority

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TABLE OF CONTENTS

TABLE OF CONTENTS 7
EXECUTIVE DIRECTOR'S REPORT 9
ABOUT THE AUTHORITY 11
Mandate 11
Organization 12
Goals 13
CORE FUNCTIONS 14
Licensing and Registration 14
Investigation and Enforcement 14
Film Classification 15
Gaming Research 15
Gaming Registration Issuance 16
Gaming License Issuance 17
Place of Amusement License Issuance 18
Special Occasion Liquor License Issuance 19
Film/Video Classifications 20
Liquor, Amusement, & Gaming Inspections 21
Liquor, Amusement, & Gaming Complaints 21
Liquor, Amusement, & Gaming Special Investigations . 22
Liquor, Amusement, & Gaming Disciplinary Actions .. 22
FINANCIAL STATEMENTS 23

EXECUTIVE DIRECTOR'S REPORT

It is my pleasure to report on the operations of the Alcohol and Gaming Authority for the fiscal year ending March 31, 2001. The past year has been marked by organizational changes, administrative improvements, and regulatory amendments to ensure the Authority's effective control over gaming, liquor, and amusement activities in the Province.

In keeping with the Government's business plan, entitled "The Course Ahead," the Alcohol and Gaming Authority has merged as part of the newly amalgamated Department of Environment and Labour. "The Course Ahead" offers Nova Scotians a more responsive, accountable and efficient government. The Authority's merger with the Department of Environment and Labour is intended to reduce overlap and improve service delivery, with much of the past year involved in the logistical details to ensure a smooth and effective organizational transition.

The first step of the Authority's reorganization occurred on April 11, 2000, when the Board of Commissioners for the Alcohol and Gaming Authority was dissolved and the adjudicative responsibilities of the Authority were transferred to the Utility and Review Board. Further administrative changes were sanctioned through amendments to the *Gaming Control Act* and the *Liquor Control Act*, that were legislated through *The Justice and Administration Reform (2000) Act* (Bill No. 80). The amendments reflect a revised operating structure for the Authority under the auspices of the Minister of Environment and Labour.

The past year also witnessed certain regulatory amendments designed to ensure fair business practises for the industry. For example, the *Liquor Licensing Regulations* were amended to reduce the fee charged to liquor licensees on the gross value of

their purchase, which was implemented to recover the cost of regulating the alcohol beverage service industry. Similarly, the *Video Lottery Regulations* were amended to allow the installation of bill acceptors on video lottery terminals, and to remove the restrictions on the placement of ATM machines in licensed establishments.

The Alcohol and Gaming Authority has pro-actively responded to Government's direction for budgetary cutbacks. Cost savings have been realized with no compromise to service levels. The Authority's gaming research activities have been pared back and focussed on key issues of controversy and concern. In addition, Film Classification generates substantial revenues through its approval and classification of all film/video product that is for sale, lease, or rent in the Maritime Provinces.

The following report details the activities of the Alcohol and Gaming Authority for the past year. I am confident that recent changes to the Authority will continue to provide an effective regulatory environment for the alcohol, gaming, and amusement industries that will benefit all Nova Scotians.

Dennis W. Kerr
Executive Director

ABOUT THE AUTHORITY

Mandate

The Alcohol and Gaming Authority is the regulatory body charged with administering Part II of the *Gaming Control Act*, parts of the *Liquor Control Act*, and the *Theatres and Amusements Act*. In broad terms, the Authority has the regulatory responsibility for liquor licensing; regulating the conduct of the casinos, bingos, lotteries and other licensed gaming; ensuring the public interest is protected; and regulating the safety and control of places of amusement.

The Authority's responsibilities include two broad mandates under Part II of the *Gaming Control Act*:

- To license and regulate gaming activity in Nova Scotia (except those on First Nation's lands) to ensure that these activities are conducted with honesty and integrity, while considering the social and economic interests of Nova Scotians.

- To study and report on certain aspects of gaming in Nova Scotia. The areas of study set forth in the Act include public interest and reaction to various forms of gaming; social, economic, health, justice, and environmental impacts of gaming; and the study of the gaming laws and activities in other jurisdictions.

Under the *Liquor Control Act*, the Authority has the mandate to:

- regulate licensed premises for the sale of liquor on the premises;

- recommend public hearings to the Utility and Review Board in order to receive public and community input into applicants' liquor licensing requests; and

- ensure liquor served in public premises has been properly purchased through the NS Liquor Commission, and is therefore safe for public consumption and with tax correctly paid.

The Authority's mandate pursuant to the *Theatres and Amusements Act* includes film classification, licensing and regulation:

- Film classification duties include the viewing and subsequent classification of film products for use in Nova Scotia as well as other Maritime Provinces.

- Licensing and regulation duties include the processing, approval and control of theatres, places of amusement, and events where fees are charged to the public. Licenses are issued to arcades, drive-in theatres, halls, itinerant shows, carnivals, circuses, outdoor festivals, racetracks, theatres and video rental outlets.

Organization

The Alcohol and Gaming Authority is administered by the Minister of the Department of Environment and Labour, pursuant to Part II of the *Gaming Control Act*. The Authority comprises two divisions: 1) Licensing and Registration, and 2) Investigation and Enforcement. In addition, the functions of Film Classification, and Gaming Research fall under the auspices of the Authority.

The Authority has a staff complement of 68 and operates from offices in Dartmouth and Sydney. Compliance staff are located

throughout the Province with responsibilities for specific geographic regions. In addition, under contract with the Authority, a complement of RCMP officers provide gaming supplier and employee security clearances, and conduct cheat at play investigations.

Goals

The 2000/2001 business plan for the Department of Environment and Labour outlines the following goals for the Alcohol and Gaming Authority:

- promote consumer protection in gaming/amusement activities and the retail service of alcohol;
- implement automated business solutions such as integrated computer systems and continue to expand the use of electronic communications and the Internet for communications among licensees, stakeholders, and government;
- review gaming, liquor, and amusement activities to ensure they are conducted in accordance with legislation and in the general public good; and
- prepare regulations in response to omnibus legislation passed in the fall session of the Legislature, which resulted in changes to the *Gaming Control Act*, the *Liquor Control Act*, and the *Theatres and Amusements Act*.

CORE FUNCTIONS

Licensing and Registration

The Licensing and Registration Division issues licenses to operators of gaming, liquor and amusements activities in the province of Nova Scotia. This licensing includes:

- bingos, bingo suppliers;
- ticket lotteries conducted by charitable and religious organizations;
- liquor establishments on a permanent and occasional basis;
- video outlets, theatres, and places of amusement;
- casino operator, staff and suppliers; and
- video lottery terminals.

Investigation and Enforcement

The Investigation and Enforcement Division monitors and inspects all licensees throughout the Province and investigates complaints of regulatory non-compliance.

The Investigation and Enforcement Division is responsible for monitoring the regulatory compliance of approximately 20,000 licensees, as well as conducting compliance surveillance at the casinos. Compliance officer visits on all licensees are focussed upon developing an understanding of and compliance with the Acts and their regulations.

The Gaming Analyst Section of the Division conducts regular as well as random testing of casino slot machine software to insure each machine is compliant with the legislated minimum payout percentage.

The Division is also responsible for reviewing and making recommendations with respect to all approval requests from the casino operator pertaining to:

- casino surveillance and security systems;
- permitted games of chance played in casinos;
- Rules of Play; and
- slot machine installations, modifications, removals and relocations.

Film Classification

Film Classification provides the classification of film and video for release in Nova Scotia. Classification is made under the "Maritime Film Classification" name and is also utilized as a rating service by New Brunswick and Prince Edward Island.

Film classification provides viewers with information on the content of films or videos prior to attendance or viewing, and to ensure that the classification is compliant with the regulations made under the *Theatres and Amusements Act*.

Gaming Research

The Alcohol and Gaming Authority is responsible for conducting research on the interest and reactions of the public towards gaming in Nova Scotia; and assessing the social, health, justice, economic, and environmental impacts of gaming in the Province. Since 1995/1996, the Alcohol and Gaming Authority has issued its *Annual Gaming Report*, representing an exhaustive compilation and synthesis of gaming related research conducted in the province.

Gaming Registration Issuance

	Halifax	Sydney	Total
Casino Registrations			
Gaming suppliers			19
Non-gaming suppliers - exemption			177
Non-gaming suppliers			53
Casino employees	839	249	1,088
Bingo Registrations			
Bingo supplier			2
TOTAL			1,339

To ensure honesty and integrity in all aspects of gaming, all casino suppliers and casino employees are subject to a security clearance process performed by the Authority. Different levels of security clearances are applied to gaming related suppliers and employees (i.e., suppliers of actual gambling equipment), as compared to non-gaming related (i.e., restaurant suppliers).

Gaming License Issuance

License Type	Series	Single	Total
Bingo	518	141	659
Ticket lottery	461	543	1,004
Permits		5,132	5,132
Break-open		74	74
Games of chance/carnival		212	212
TOTAL	979	6,102	7,081

Series bingo, and ticket lottery licenses are issued to organizations wishing to carry on a series of regular events.

Single bingo, and ticket lottery licenses are issued for individual events.

Games of chance include charitable and commercial carnival events, Monte Carlo fun nights, and games of chance held at annual fairs and exhibitions.

Place of Amusement License Issuance

License Type	Total
Place of Amusement	
Arena	50
Arcade	18
Halls	484
Halls - pool	27
Race track - car	7
Bowling alley	35
Park	5
Festival / Concert	21
Itinerant	6
Golf / Mini golf	12
Other	3
Film theatre	16
Drive-in theatre	1
Live theatre	11
Museum	1
Film Exchange	1,028
TOTAL	1,725

Special Occasion Liquor License Issuance

License Type	Total
Class I	1,489
Class II	4,875
Class III	1,985
TOTAL	8,349

Special Occasion License Class I are for events of a private nature for invited guests only, where liquor is being given away.

Special Occasion License Class II Resale are for events of a private nature for invited guests only. Advertising of these events is not permitted.

Special Occasion License Class III shall only be issued to non-profit organizations for community fund-raising events and allows approved advertising. Class III licenses may be issued to athletic organizations on a limited basis.

Film/Video Classifications

Classification	Video	35mm	DVD	Total
General	174	12	14	200
Parental Guidance	348	54	11	413
Adult Accompaniment	422	92	11	525
Restricted	208	16	15	239
Explicit Material	738	0	0	738
TOTAL	1,890	174	51	2,115

General (G): Considered to be suitable for all ages. There are no restrictions on viewing. The material does not contain elements that might be too intense or offensive for young viewers.

Parental Guidance (PG): All ages may attend. However, parents should know that the theme or content of the film may be more mature than in general films. It may be appropriate for those 12 years of age and over.

Adult Accompaniment (14): Considered to be suitable for those 14 years of age and older. Those under 14 must be with an adult.

Restricted (18): Considered to be suitable for those 18 years of age or older. Those under 18 must be escorted by a parent or legal guardian.

Explicit Material (XXX): Access limited to 18 years and older.

Exempt (E): Some types of videos are exempt from classification and carry an E label, including children's cartoons, travelogues, athletic events and cultural, industrial, religious or political films.

Liquor, Amusement, & Gaming Inspections

Inspections	Total
Liquor	36,639
ID check	3,280
Amusement	2,723
Gaming	
Bingo	441
Casino*	19,478
Technical	5,267
ID check**	3,280
Lottery (Tickets)	29
VLT	16,427
ID check	262
TOTAL	87,826

* Denotes total inspections conducted during the equivalent of 1092 inspection days at both casinos, pertaining to over 200 casino regulations.

** Includes ID checks by casino operator at both casinos.

Liquor, Amusement, & Gaming Complaints

Complaints	Total
Liquor	125
Amusement	4
Gaming	
Bingo	66
Casino	3
Lottery (Tickets)	0
VLT	1
TOTAL	199

Liquor, Amusement, & Gaming Special Investigations

Special Investigations	Total
Liquor	83
Amusement	1
Gaming	
Bingo	30
Casino	21
Voluntary exclusion	16
Technical	18
Other gaming	5
VLT	8
TOTAL	182

Liquor, Amusement, & Gaming Disciplinary Actions

Disciplinary Actions	Warnings
Liquor	30
Amusement	1
Gaming	
Bingo	6
Casino	2
Voluntary exclusion	0
Lottery (Tickets)	0
VLT	2
TOTAL	41

FINANCIAL STATEMENTS

Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Nova Scotia Alcohol & Gaming Authority
Financial Statements
March 31, 2001

Contents

	Page
Auditors' Report	1
Statement of Revenue and Expenditures	2
Balance Sheet	3
Notes to the Financial Statements	4-5
Schedule of Administrative Expenditures	6

Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Minister of Environment and Labour,
responsible for the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 2001 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2001, and the results of its operations for the year then ended in accordance with generally accepted accounting principles and as disclosed in Note 2.

Dartmouth, Nova Scotia
June 8, 2001

Chartered Accountants

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Suite 301
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Dartmouth, Nova Scotia
B3B 1X2
Tel: (902) 463-4900
Fax: (902) 469-2860

Nova Scotia Alcohol & Gaming Authority
Statement of Revenue and Expenditures

Year Ended March 31

	2001	2000
Revenue		
Liquor license fees	$ 7,434,626	$ 7,341,315
Lottery licenses and fees	1,364,150	1,910,981
Casino fees	664,443	482,156
Amusement licenses	115,200	120,970
Miscellaneous	3,658	10,296
Pari-mutuel tax (Note 2)	139,913	1,374,467
Film screening and distribution fees	332,837	364,031
	10,054,827	11,604,216
Administrative expenditures (Page 6)	5,774,312	6,536,400
Net revenue	$ 4,280,515	$ 5,067,816

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority
Balance Sheet

March 31	2001	2000
Assets		
Current		
Cash	$ 600	$ 600
Receivables (Note 3)	793,535	1,355,001
	$ 794,135	$ 1,355,601
Liabilities		
Current		
Payables and accruals	$ 400,056	$ 619,399
Deferred revenue	6,458	7,320
Current portion of lease obligation	73,541	206,822
	480,055	833,541
Lease obligation (Note 4)	-	72,001
	480,055	905,542
Equity		
Due to Minister of Finance		
Balance, beginning of year	450,059	876,546
Net revenue	4,280,515	5,067,816
Remittances	(4,416,494)	(5,494,303)
Balance, end of year	314,080	450,059
	$ 794,135	$ 1,355,601

On behalf of the Authority

Chief Executive Officer

Manager, Finance and Administration

See accompanying notes to the financial statements.

Nova Scotia Alcohol & Gaming Authority
Notes to the Financial Statements
March 31, 2001

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority is the regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues are derived from the sale and renewal of licenses and registration fees and collection of taxes. The adjudicative responsibilities of the Authority are conducted by the Utility Review Board.

2. Significant accounting policies

Revenue

Revenues are recorded on an accrual basis with certain amounts based on reports submitted by operators.

Pari-mutuel tax

Effective April 1, 2000 the 11% pari-mutuel tax has been recorded by the Authority on a net basis being 1% as the balance remains with the operators as a grant. This is consistent with legislation proposed for the 2001 fall sitting of the legislature. Previously grants were issued by the Department of Agriculture.

Capital assets

All items of a capital nature in excess of the thresholds established by provincial government policy are to be capitalized and amortized at rates established by the policy. As of March, 2001 the Authority has no capital assets under the terms of this policy.

3. Receivables

	2001	2000
Lottery	$ 330,895	$ 482,076
Film screening	109,105	88,146
Casino	428,385	221,082
Liquor	25,076	217,587
Other	87,049	162,208
Pari-mutuel tax	61,978	1,506,986
	1,042,488	2,678,085
Less: Allowance for doubtful accounts	248,953	1,323,084
	$ 793,535	$ 1,355,001

Nova Scotia Alcohol & Gaming Authority
Notes to the Financial Statements
March 31, 2001

4. Lease obligation

	2001	2000
Newcourt Financial Limited, thirty-six monthly blended payments of $18,769 to July, 2001, effective annual rate of interest of 9.83%.	$ 73,541	$ 278,823
Less: current portion	73,541	206,822
	$ -	$ 72,001

5. Related party transactions

The Authority purchases certain services from other departments of the Province of Nova Scotia on a fee for service basis, including but not limited to:

- leaseholds and related maintenance;
- communication technology systems and network access.

In addition, the Authority received services at no charge, including but not limited to:

- accounting technology systems and processing;
- human resource management;
- payroll processing, including pensions and benefits administration.

6. Subsequent event

Effective April 1, 2001, the Authority became a division of the Department of Environment and Labour.

Effective April 1, 2001, the 9.3% license fee on the gross value of liquor purchased will be adjusted to 4.1%.

7. Pension plan

Employees of the Authority are covered under the terms of the Public Service Superannuation Act.

Nova Scotia Alcohol & Gaming Authority
Schedule of Administrative Expenditures

Year Ended March 31

	2001	2000
Advertising and promotion	$ 13,580	$ 47,862
Bad debts	445,214	40,575
Computer processing	42,378	63,883
Equipment	7,985	42,805
Equipment leasing	16,632	20,273
Freight and duty	6,373	7,113
Interest on lease obligation	18,406	37,695
Meetings	100,442	14,451
Office	23,339	30,522
Other	16,569	14,343
Postage	25,256	27,424
Printing and stationery	55,594	84,496
Professional fees	171,215	435,125
Rent	297,571	280,469
Repairs and maintenance	1,764	880
Security services	706,450	1,003,000
Telephone	122,268	121,119
Travel	334,898	431,604
Training and development	10,561	16,009
Wages and benefits	3,357,819	3,816,752
	$ 5,774,312	$ 6,536,400